# School for Traders & Investors

*Sixty-Fourth Lesson*

# Don't Waste Time Wishing You Were In a Live Issue—Why Not Get In?

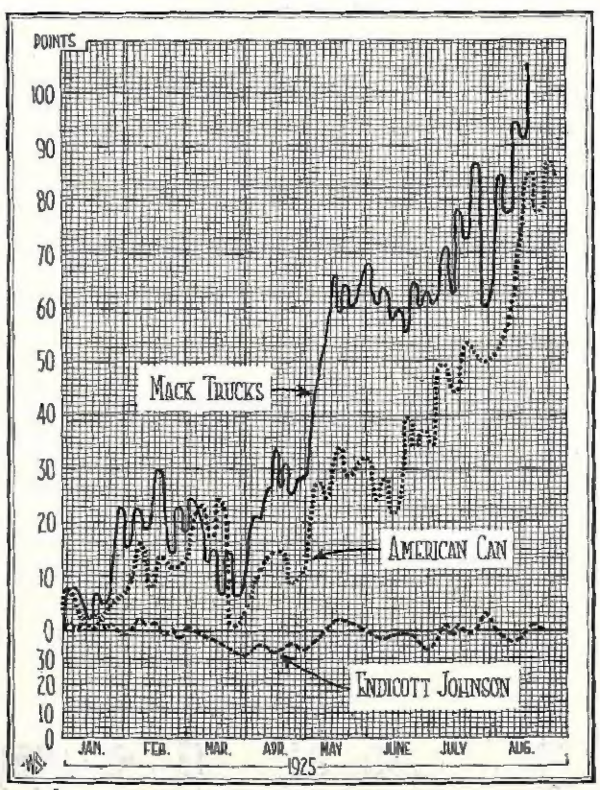
THE active trader finds it advantageous to classify stocks according to their price range during a given period of time, and for his speculative operations he favors those issues that have the most frequent and the widest price swings during relatively short time intervals. On the other hand, he avoids stocks whose chief characteristic is price stability or sluggishness. He knows that his most favorable opportunities for profit are to be found among the stocks that have a habit of moving several points within a month, or perhaps 30 to 50 points or more during the year. Experience teaches him to avoid the dormant issues wherein commitments may keep his funds tied up for several months at a time without offering him a chance to even recover his commissions and interest charges.

### *A Representative Group*

A brief inspection of the high and low prices for the year, as they appear in the stock table in the daily newspaper, will enable the observer to pick out at random numerous representatives of both classes of stocks above mentioned. For example, among the stocks that have a wide price swing since the beginning of the year, he will find Nash Motors with a price range of 255 points, Mack Trucks which has advanced 121 points, Cast Iron Pipe with a swing of over 118 points, General Electric 110, American Can 90, Sears Roebuck 63, Woolworth 59, International Telephone 56, Savage Arms 55, Midland Steel Pfd. 51, Pierce Arrow, Pfd. 43, Worthington Pump 44, St. Louis & San Francisco 41, Baldwin 39, Remington 38, U. S. Realty 33, Montgomery Ward 32, and General Motors 30, all fairly active stocks. Many sound and active issues could be added to this list, all having a price range of from 20 to 30 points. Some of these stocks have made their most important swings within a month or two.

Observing the other extreme, suppose we point out some of the stocks that have been more conservative in their movements, and therefore generally disappointing to traders who failed to observe the apparent habits and characteristics of such issues, and the probable reasons therefor. Our list of sluggards might include Magma Copper, Electric Storage Battery and Childs Co., each with a price range of about 10 points since January 1, 1925. Others, arranged in the order of their indisposition to move, are: Associated Oil 9½ points, Studebaker 8¾, Timken 8½, Chile Copper 7⅛, Orpheum 7, Hupp 6¼, Nevada Copper 4⅝, and Tennessee Copper 4⅝, Booth Fisheries 2⅞, American La France 2¾, Transcontinental Oil 2, and General Electric Special ⅞. The last mentioned issue may be considered a sound and stable investment, but from a traders' viewpoint it is certainly one of the least attractive stocks in the entire list.

Nothing is more disappointing, disconcerting and disillusioning to the amateur trader than to discover that the issue wherein he has made a new commitment with all the enthusiasm of youth, has suddenly developed sleeping sickness and has lapsed into a comatose condition for an indefinite period. Many a trader who has a held a stock like Studebaker for a month or more without a price fluctuation that would assure overhead expenses, to say nothing of a profit commensurate with a speculative risk, has been heard to complain, "I wish I were in a live issue like General Electric or American Can or International Telephone." Our suggestion is, Don't waste time *wishing* you were in a live issue, but *get in.* You may have to take a small loss in disposing of the sluggish stock, but you are likely to make it up many times within the first few days after the change.




### *The "Time Stop"*

This peculiar kind of mental inertia that holds a trader in a sluggish and disappointing stock, perhaps for months at a time, may usually be overcome by a device sometimes called the "time stop." For example, if your commitment does not show a profit after a given period of time, say ten days or a month, then close it out and go into something else that has more favorable trend. You will thus avoid being sewed up in dead issues and you will be more likely to take advantage of special technical situations that are under development.

A glance at the accompanying graphs of two active leaders and one sluggard will show that volume of trading, however important it may be as insurance of convertibility, is of minor consequence as compared to wide price-range characteristics. All of the issues charted are traded in satisfactory volume, but their relative fluctuating ability is what determines their popularity with the experienced trader. The point is simple. Any trader ought to be able to understand it.